

# Disclosure Brochure

December 9, 2013

## **Vesta Wealth Management, LLC**

*a Registered Investment Adviser*

This brochure provides information about the qualifications and business practices of Vesta Wealth Management, LLC (hereinafter "VWM" or the "Firm"). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed below. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). VWM is a state registered investment adviser. Registration does not imply any level of skill or training.

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## Item 2. Material Changes

In this Item, VWM is required to discuss any material changes that have been made to the brochure since the last annual amendment. VWM has the following material changes to disclose.

### State Registration

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Due to regulatory changes stemming from the Dodd-Frank Wall Street Reform and Consumer Protection Act, VWM is required to obtain state-level investment adviser registration and withdraw its current registration with the U.S. Securities and Exchange Commission (SEC). This switch to state registration means that VWM will be primarily regulated by the Securities Division of the Florida Attorney General, rather than the SEC. This change in registration status will have little, if any, impact on the investment advisory services that VWM provides to its clients. VWM will, however, now provide clients with duplicate fee invoices describing the amounts debited for payment of the firm's management fees, in accordance with applicable state laws, rules and regulations.

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## Item 4. Advisory Business

VWM offers a variety of advisory services, which include financial planning, consulting and investment management services. Prior to the rendering of any of the foregoing advisory services, clients are required to enter into one or more written agreements with VWM setting forth the relevant terms and conditions of the advisory relationship (the “*Agreement*”).

VWM is wholly owned by Daniele Ghiotti. As of the date of this filing, VWM does not have any assets under management; however, the Firm reasonably expects to have at least \$100 million under its management within 120 days of SEC approval.

While this brochure generally describes the business of VWM, certain sections also discuss the activities of its *Supervised Persons*, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on VWM’s behalf and is subject to the Firm’s supervision or control.

### Financial Planning and Consulting Services

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VWM offers clients a range of financial planning and consulting services, which may include any or all of the following functions:

- Business Planning
- Loan Needs Analysis
- Cash Flow Forecasting
- Tax Planning
- Retirement Planning
- Estate Planning
- Insurance Needs Analysis
- Education Planning

While each of these services is available on a stand-alone basis, certain of them may also be rendered in conjunction with investment portfolio management as part of a comprehensive wealth management engagement (as described below). Certain services, such as Loan Needs Analysis will only be offered on a standalone basis for a separate fee, agreed upon in advance of engaging the Firm to perform such services. In performing these services, VWM is not required to verify any information received from the client or from the client’s other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information.

VWM may recommend the services of itself, its *Supervised Persons* in their individual capacities as insurance agents and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if clients engage VWM to provide additional fee-based services. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by VWM under a financial planning or consulting engagement or to engage the services of any such recommended professionals, including VWM itself. Clients are advised

that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising VWM's previous recommendations and/or services.

### **Investment Management and Wealth Management Services**

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VWM manages client investment portfolios on a discretionary basis. In addition, VWM may provide clients with wealth management services which generally include a broad range of comprehensive financial planning and consulting services as well as discretionary management of investment portfolios.

VWM primarily allocates client assets among various mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities as well as the securities components of variable annuities and variable life insurance contracts, in accordance with the investment objectives of its individual clients. In addition, VWM may also recommend that clients who qualify as accredited investors, as defined by Rule 501 of the Securities Act of 1933, invest in privately placed securities, which may include debt, equity and/or interests in pooled investment vehicles (e.g., hedge funds). Where appropriate, the Firm may also provide advice about any type of legacy position or other investment held in client portfolios.

Clients may also engage VWM to advise on certain investment products that are "held away" or not maintained at their primary custodian under a separate fee schedule ("*Outside Custodian Fee Schedule*"), such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, VWM directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

VWM tailors its advisory services to meet the needs of its individual clients and continuously seeks to ensure that client portfolios are managed in a manner consistent with their specific investment profiles. VWM consults with clients on an initial and ongoing basis to determine their specific risk tolerance, time horizon, liquidity constraints and other qualitative factors relevant to the management of their portfolios. Clients are advised to promptly notify VWM if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients may impose reasonable restrictions or mandates on the management of their accounts if VWM determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

## **Item 5. Fees and Compensation**

VWM offers its services on a fee basis, which may include hourly and/or fixed fees, as well as fees based upon assets under management or advisement. Additionally, certain of VWM's *Supervised Persons*, in their individual capacities, may offer insurance products under a separate commission arrangement.

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## Financial Planning and Consulting Fees

VWM generally charges either a negotiable hourly and/or fixed fee to provide clients with stand-alone financial planning or consulting services. These fees are largely determined by the scope and complexity of the agreed upon services and range from \$100 to \$475 on an hourly basis and \$2,000 to \$25,000 on a fixed fee basis.

The specific terms and fee structure are negotiated in advance and set forth in the *Agreement* with VWM. Generally, VWM requires one-half of the financial planning or consulting fee payable upon execution of the *Agreement* and the balance due at the time the financial plan is delivered or the underlying services are rendered to completion. If the client engages VWM for additional investment advisory services, VWM may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

## Investment Management and Wealth Management Fees

VWM provides investment management services for an annual fee based on the amount of assets under the Firm's management. The fee varies between 70 and 200 basis points (0.20% – 2.00%), depending upon the size of a client's portfolio and the type of services rendered, based on the following fee schedules:

### *Standard Fee Schedule*

PORTFOLIO VALUE	ANNUAL FEE
below \$500,000	1.00% - 2.00%
\$500,001 - \$1,000,000	0.75% - 1.50%
\$1,000,001 - \$5,000,000	0.70% 0.90%
above \$5,000,000	negotiable

### *Outside Custodian (Held Away) Fee Schedule*

PORTFOLIO VALUE	ANNUAL FEE
below \$500,000	0.50% - 1.50%
\$500,001 - \$1,000,000	0.25% - 1.00%
\$1,000,001 - \$5,000,000	0.20% 0.40%
above \$5,000,000	negotiable

The annual fee is prorated and charged quarterly in advance, based upon the market value of the assets being managed by VWM on the last day of the previous quarter.

If assets are deposited into or withdrawn from an account after the inception of a billing period, the fee payable with respect to such assets is prorated to reflect the change in portfolio value. For the initial term of an engagement, the fee is calculated on a *pro rata* basis. In the event the *Agreement* is terminated,

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the fee for the final billing period is prorated through the effective date of the termination and the outstanding balance is charged to the client, as appropriate.

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## Fee Discretion

VWM, in its sole discretion, may negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention and *pro bono* activities.

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## Use of Margin

VWM may be authorized to use margin in the management of the client's investment portfolio. In these cases the fee payable will be assessed gross of margin such that the market value of the client's account and corresponding fee payable by the client to VWM will be increased.

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## Additional Fees and Expenses

In addition to the advisory fees paid to VWM, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "*Financial Institutions*"). These additional charges may include securities brokerage commissions, transaction fees, custodial fees, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions. The Firm's brokerage practices are described at length in Item 12, below.

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## Fee Debit

Clients generally provide VWM with the authority to directly debit their accounts for payment of the Firm's investment advisory fees. The *Financial Institutions* that act as qualified custodian for client accounts have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to VWM. As required by applicable state securities laws, VWM also sends clients an itemized summary detailing the advisory fees deducted from their accounts.

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## Account Additions and Withdrawals

Clients may make additions to and withdrawals from their account at any time, subject to VWM's right to terminate an account. Additions may be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to VWM, subject to the usual and customary securities settlement procedures. However, VWM designs its portfolios as long-term investments and the withdrawal of assets

may impair the achievement of a client's investment objectives. VWM may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (i.e., contingent deferred sales charge) and/or tax ramifications.

### **Item 6. Performance-Based Fees and Side-by-Side Management**

VWM does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

### **Item 7. Types of Clients**

VWM provides its services to individuals, trusts, estates, charitable organizations, corporations and other business entities.

#### **Minimum Portfolio Size**

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As a condition for starting and maintaining an investment management relationship, VWM generally imposes a minimum portfolio size of \$2,000,000.

The Firm, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationships, account retention and *pro bono* activities. VWM only accepts clients with less than the minimum portfolio size if, in the sole opinion of the Firm, the smaller portfolio size will not result in a substantial increase of investment risk beyond the client's identified risk tolerance. VWM may aggregate the portfolios of family members to meet the minimum portfolio size.

### **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

#### **Methods of Analysis**

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VWM primarily utilizes fundamental but may also employ cyclical methods of analysis.

Fundamental analysis involves an evaluation of the fundamental financial condition and competitive position of a particular fund or issuer. For VWM, this process typically involves an analysis of an issuer's management team, investment strategies, style drift, past performance, reputation and financial strength in relation to the asset class concentrations and risk exposures of the Firm's model asset allocations. A

substantial risk in relying upon fundamental analysis is that while the overall health and position of a company may be good, evolving market conditions may negatively impact the security.

Cyclical analysis involves the assessment of market conditions at a macro (entire market or economy) or micro (company specific) level, rather than focusing on the overall fundamental analysis of the health of the particular company that VWM is recommending. A substantial risk in relying upon cyclical analysis is that spotting past trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that VWM will be able to accurately predict such a reoccurrence.

### **Investment Strategies**

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The Firm employs strategies that address two objectives: risk-adjusted growth and income and asset protection. As such VWM has devised five model portfolios that balance the sometimes competing interests of these two disparate objectives. The asset classes that these model portfolios are comprised of include equity, fixed income and commodities.

### **Risks of Loss**

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#### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear potential losses.

#### *Market Risks*

The profitability of a significant portion of VWM's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that VWM will be able to predict those price movements accurately.

#### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market

volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their *pro rata* NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Options*

Options allow investors to buy or sell a security at a contracted strike price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge against potential losses or to speculate on the performance of the underlying securities. Option transactions involve inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase or decrease to the level of the respective strike price. Holders of option contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

### *Use of Private Collective Investment Vehicles*

VWM recommends that certain clients invest in privately placed collective investment vehicles (e.g., hedge funds, private equity funds, etc.). The managers of these vehicles have broad discretion in selecting the investments. There are few limitations on the types of securities or other financial instruments which may be traded and no requirement to diversify. Hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. Clients should consult each fund's private placement memorandum and other offering documents explaining such risks prior to investing.

### *Management Through Similarly Managed "Model" Accounts*

VWM manages certain accounts through the use of similarly managed "model" portfolios, whereby the Firm allocates all or a portion of its clients' assets among various mutual funds and/or securities on a discretionary basis using one or more of its proprietary investment strategies. In managing assets through the use of models, the Firm remains in compliance with the safe harbor provisions of Rule 3a-4 of the Investment Company Act of 1940.

The strategy used to manage a model portfolio may involve an above average portfolio turnover that could negatively impact clients' net after tax gains. While the Firm seeks to ensure that clients' assets are managed in a manner consistent with their individual financial situations and investment objectives, securities transactions effected pursuant to a model investment strategy are usually done without regard to a client's individual tax ramifications. Clients should contact VWM if they experience a change in their financial situation or if they want to impose reasonable restrictions on the management of their accounts.

### *Use of Margin*

To the extent that a client authorizes the use of margin and margin is thereafter employed by VWM in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to VWM will be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest whereby the client's decision to employ margin shall correspondingly increase the management fee payable to VWM. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

While the use of margin borrowing can substantially improve returns, it may also increase overall portfolio risk. Margin transactions are generally effected using capital borrowed from a *Financial Institution*, which is secured by a client's holdings. Under certain circumstances, a lending *Financial Institution* may demand an increase in the underlying collateral. If the client is unable to provide the additional collateral, the *Financial Institution* may liquidate account assets to satisfy the client's outstanding obligations, which could have extremely adverse consequences. In addition, fluctuations in the amount of a client's borrowings and the corresponding interest rates may have a significant effect on the profitability and stability of a client's portfolio.

## **Item 9. Disciplinary Information**

VWM has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

## **Item 10. Other Financial Industry Activities and Affiliations**

### **Receipt of Insurance Commission**

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Certain of VWM's *Supervised Persons*, in their individual capacities, are also licensed insurance agents. When appropriate, these *Supervised Persons*, in their individual capacities, may recommend the purchase of certain insurance products to advisory clients on a fully-disclosed commission basis. A conflict of interest exists to the extent that VWM recommends the purchase of insurance products where its *Supervised Persons* receive insurance commissions or other additional compensation. As a result

VWM has procedures in place to ensure that any recommendations made by such Supervised Persons are in the best interest of its clients.

### Loan Consulting

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VWM may provide consulting services for clients seeking assistance in procuring mortgages and/or loans. While the Firm and its *Supervised Persons*, in their individual capacities, will not receive commissions or referrals fees, this service will be offered on a standalone basis for a separate fee as discussed in Item 4 (above).

## Item 11. Code of Ethics

VWM has adopted a code of ethics in compliance with applicable securities laws ("*Code of Ethics*") that sets forth the standards of conduct expected of its *Supervised Persons*. VWM's *Code of Ethics* contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its *Supervised Persons* and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The *Code of Ethics* also requires certain of VWM's personnel (called "*Access Persons*") to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings). However, VWM *Supervised Persons* are permitted to buy or sell securities that it also recommends to clients if done in a manner consistent with the Firm's policies and procedures. This *Code of Ethics* has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by *Access Persons* to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client where there may be a potential for conflict, no *Access Person* may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household as the *Access Person*) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the *Access Person* is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact VWM to request a copy of its *Code of Ethics*.

### Item 12. Brokerage Practices

VWM recommends that clients utilize the brokerage and clearing services of several qualified custodians for investment management accounts. These recommendations are all to unaffiliated SEC-registered broker-dealers and FINRA members.

Factors which VWM considers in recommending *Financial Institutions* to clients include their respective financial strength, reputation, execution, pricing, research and service. *Financial Institutions* may enable VWM to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by certain *Financial Institutions* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by VWM's clients comply with the Firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where VWM determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates and responsiveness. VWM seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

VWM periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct VWM in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution* and the Firm will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by VWM (as described below). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, VWM may decline a client's request to direct brokerage if, in the Firm's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless VWM decides to purchase or sell the same securities for several clients at approximately the same time. VWM may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among VWM's clients differences in prices and commissions or

other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among VWM's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that VWM determines to aggregate client orders for the purchase or sale of securities, including securities in which VWM's *Supervised Persons* may invest, the Firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. VWM does not receive any additional compensation or remuneration as a result of the aggregation. In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, VWM may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist VWM in its investment decision-making process. Such research generally will be used to service all of the Firm's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because VWM does not have to produce or pay for the products or services.

### **Software and Support Provided by Financial Institutions**

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VWM may receive from *Financial Institutions*, without cost to VWM, computer software and related systems support, which allow VWM to better monitor client accounts maintained at *Financial Institutions*. VWM may receive the software and related support without cost because VWM renders investment management services to clients that maintain assets at *Financial Institutions*. The software and support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The software and related systems support may benefit VWM, but not its clients directly. In fulfilling its duties to its clients, VWM endeavors at all times to put the interests of its clients first. Clients should be aware, however, that

VWM's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence VWM's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support or services.

### Item 13. Review of Accounts

#### Account Reviews

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For those clients to whom VWM provides investment management services, VWM monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom VWM provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by one of VWM's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with VWM and to keep VWM informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

#### Account Statements and Reports

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the *Financial Institutions* where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from VWM and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with those they receive from VWM or an outside service provider.

Those clients to whom VWM provides financial planning and/or consulting services will receive reports from VWM summarizing its analysis and conclusions as requested by the client or as otherwise agreed to in writing by VWM.

### Item 14. Client Referrals and Other Compensation

#### Client Referrals

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VWM is required to disclose any direct or indirect compensation that it provides for client referrals. VWM does not provide direct or indirect compensation for client referrals.

## Other Economic Benefits

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In addition, VWM is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

## Item 15. Custody

VWM's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize VWM through such *Financial Institution* to debit the client's account for the amount of VWM's fee and to directly remit that management fee to VWM in accordance with applicable custody rules.

The *Financial Institutions* recommended by VWM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to VWM. In addition, as discussed in Item 13, VWM also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from VWM.

## Item 16. Investment Discretion

VWM is given the authority to exercise discretion on behalf of clients. VWM is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. VWM is given this authority through a power-of-attorney included in the agreement between VWM and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). VWM takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

## Item 17. Voting Client Securities

VWM may vote client securities (proxies) on behalf of its clients. When VWM accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully- described in VWM's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in VWM's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact VWM to request information about how VWM voted proxies for that client's securities or to get a copy of VWM's Proxy

Voting Policies and Procedures. A brief summary of VWM's Proxy Voting Policies and Procedures is as follows:

- VWM has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to VWM's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, VWM devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct VWM's vote on a particular solicitation but can revoke VWM's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that VWM maintains with persons having an interest in the outcome of certain votes, VWM takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

### **Item 18. Financial Information**

VWM is not required to disclose any financial information pursuant to this Item due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.

## Item 19. Requirements for State Registered Investment Advisers

### Principal Executive Officer and Management Person

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Below is the formal education and business background of each of VWM's principal executive officers and management persons:

#### **DANIELE GHIOTTI**

Born 1972

#### **Post-Secondary Education**

Northwestern University – Kellogg School of Management | MBA, Finance | 2001

Solvay business School | Masters, Finance | 1998

Université Pierre et Marie Curie (Paris VI) | DEA, Computer Systems | 1996

École nationale supérieure des Télécommunications | Diplome d'Ingenieur, Telecommunications Engineering | 1996

#### **Recent Business Background**

Vesta Wealth Management, LLC | President | April 2013 – Present

UBS Financial Services Inc. | Investment Adviser Representative | March 2009 – April 2013

UBS Financial Services Inc. | Registered Representative | February 2009 – April 2013

Citigroup Global Markets Inc. | Investment Adviser Representative | March 2004 – March 2009

## Vesta Wealth Management, LLC

Prepared by:

